HOUSING MARKET INFORMATION

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CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: March 2013

Canadian Market Overview

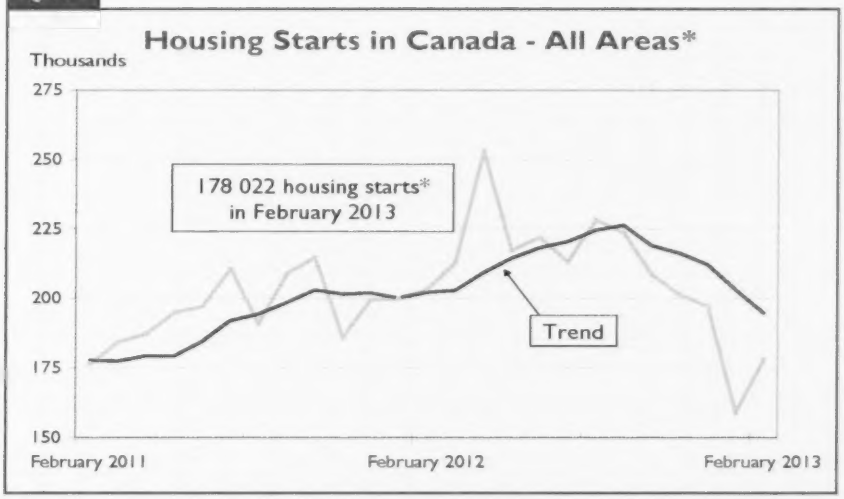
New Home Market

Housing starts in February

The number of housing starts was trending at 194,626 units in February[1]. The trend is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR)[2].

The trend in total housing starts has been moderating since September 2012. The standalone monthly SAAR was 178,022 units in February, up from 159,018 units in January.

Figure 1



Source: CMHC; *seasonally adjusted at annual rates.

[1]CMHC uses the trend measure as a complement to the monthly SAAR of housing starts to account for considerable swings in monthly estimates and obtain a more complete picture of the state of the housing market. In some situations, analyzing only SAAR data can be misleading, as they are largely driven by the multiples segment, which can be quite volatile.

[2]All starts figures in this report are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

Table of Contents

1 Canadian Market Overview
1 New home market
1 Housing starts
2 Inventories of new and unoccupied units
2 Building permits
3 New Housing Price Index
3 Existing home market
3 MLS® sales and new listings
3 Sales-to-new-listings ratio
3 MLS® prices
4 Teranet–National Bank House Price Index
4 Economic conditions
5 Housing market statistics

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Urban starts increased in February

In Canada's urban centres[3], the seasonally adjusted annual rate of housing starts was 158,934 units in February. This was up from January (16.4 per cent).

The seasonally adjusted annual rate of multiple starts rose by 24.2 per cent to 96,341 units, while the seasonally adjusted annual rate of single starts rose by 6.0 per cent to 62,593 units, when compared to January.

In non-urban areas, the estimated seasonally adjusted annual rate of rural starts fell by 14.9 per cent to 19,088 units in February from 22,443 units in January.

Inventories of new and unoccupied units declined in February

Inventories of new and unoccupied housing units[4] declined for a second consecutive month in February, to 19,032 from 19,321 in January.

The inventory of new and unoccupied single- and semi-detached homes increased to 7,116 units in February from 6,894 in January.

As for row homes and apartments, the inventory of new and unoccupied units decreased to 11,916 units in February from 12,427 in January.

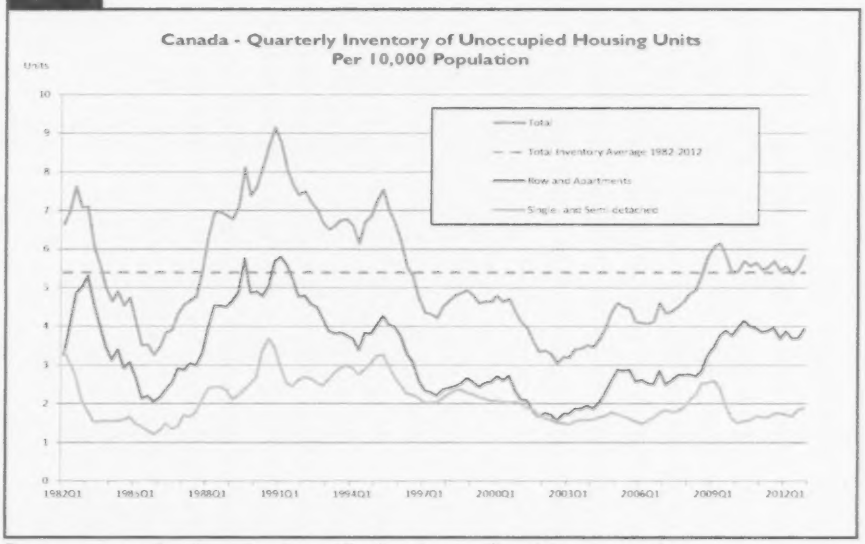
The ratio of the inventory of new and unoccupied units to population, a simple gauge of potential overbuilding, rose slightly at the end of 2012, up to 5.8 in the fourth quarter of 2012 from 5.5 in the third quarter. However, the ratio of the inventory of new and unoccupied units to population still remained close to its historical average of 5.4.

Construction intentions increase for single-family and multi-family dwellings

The value of residential building permits for all dwellings rose by 17.6 per cent in January[5], following six consecutive months of decline.

Construction intentions for multi-family dwellings, measured by value, increased by 38.0 per cent, following six consecutive declines. The value of permits for single-family dwellings increased by 6.6 per cent, following three consecutive declines.

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets
Source: CMHC
Last data point: 2012Q4.

[3] Urban centres are defined as centres with a population of at least 10,000. CMHC surveys urban centres with 10,000 to 49,999 inhabitants at the end of every quarter. Months that are not at the end of a quarter are estimates.

[4] The inventory of housing units is defined as the level of newly completed and unoccupied units. Units under construction are not taken into account in this inventory because some units under construction are pre-sold. The level of inventories discussed here is for urban centres with a population of over 50,000.

[5] Statistics Canada conducts a building permits survey among 2,400 municipalities. These permits measure construction intentions and can serve as indicators of future starts.

Municipalities across Canada issued permits for the construction of 192,000 new dwellings (annual rate) in January, up 15.6 per cent from the previous month.

The increase was mainly due a rise of 26.1 per cent in permits issued for the construction of multi-family dwellings, which reached 114,600 units in January, while permits issued for single-family dwellings saw a more modest increase of 3.1 per cent, to 77,400 units.

New Housing Price Index growth remains stable

The NHPI rose by 2.2 per cent in January compared to the same month in 2012, after having posted a similar increase the previous month. NHPI year-over-year growth has been very stable since mid-2012, remaining within a narrow range of 2.2 per cent to 2.4 per cent since May 2012.

Existing Home Market

MLS® new listings decline in February

The seasonally adjusted annual rate of Multiple Listing Service® (MLS®)[6] sales decreased by 2.1 per cent to 419,448 units in February, from 428,460 units in January.

Figure 3

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®
Last data point: 2013M02

The seasonally adjusted annual rate of MLS® new listings in February was 834,756 units, for a decrease of 1.2 per cent from 844,668 units in January.

Balanced market conditions continue in February

An indicator of price pressure in the existing home market is the sales-to-new listings ratio[7]. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

The sales-to-new listings ratio remained in balanced market conditions in February, as the decrease in new listings was slightly outpaced by the decrease in MLS® sales, which brought the ratio down to 50.2 per cent in February, from 50.7 per cent in January. Market conditions have been balanced since November 2011.

Resale market prices remain relatively stable

The national seasonally adjusted average MLS® price increased by 0.9 per cent in February to $366,106 from $362,930 in January. The unadjusted average MLS® price decreased 1.0 per cent to $368,895 from $372,533 a year before.

The MLS® Home Price Index[8], which uses statistical techniques to control for changes over time in the types and quality of homes sold, rose by 2.7 per cent

[6]Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

[7]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

[8]The MLS® Home Price Index is based on single family, townhouse/row unit, and apartment unit sales activity in Greater Vancouver, the Fraser Valley, Calgary, Regina, Greater Toronto and Greater Montréal.

from February 2012 to February 2013 in the markets covered and by 0.7 per cent in February 2013 from the previous month, following seven consecutive monthly declines.

Teranet-National Bank Composite House Price Index continues to decline

Teranet–National Bank Composite House Price Index™, which also uses statistical techniques to control for changes in the types and quality of homes sold over time, posted a 0.2 per cent decrease in February, a sixth consecutive monthly decline. The index still showed a 2.7-per-cent increase over the previous year, but similar to the MLS® Home Price Index, continued to see moderation in the year-over-year growth rate.

Economic conditions

According to Statistics Canada, employment increased in February by 0.3 per cent from the month before. However, an increase in the number of people looking for work left the unemployment rate unchanged at 7.0 per cent in February.

Compared with the corresponding month in 2012, employment was up 1.9 per cent in February (+336,200 jobs). Almost all the gains posted on a year-over-year basis were concentrated in full-time employment, which recorded an increase of 2.2 per cent (+308,500 jobs), while part-time employment registered a 0.8 per cent increase (+27,600 jobs).

Statistics Canada's Consumer Price Index rose by 1.2 per cent in the 12 months to February, after having recorded an increase of 0.5 per cent in January. Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, rose by 1.4 per cent in the 12 months to February, following an increase of 1.0 per cent in the previous period.

On March 6, the Bank of Canada announced that it would maintain the target for the overnight rate unchanged at 1.0 per cent. The Bank stated that *"With continued slack in the Canadian economy, the muted outlook for inflation, and the more constructive evolution of imbalances in the household sector, the considerable monetary policy stimulus currently in place will likely remain appropriate for a period of time, after which some modest withdrawal will likely be required, consistent with achieving the 2 per cent inflation target."*

In its latest (January 2013) Monetary Policy Report (MPR), the Bank of Canada stated that *"The global economic outlook is slightly weaker than the Bank had projected in its October MPR. [...] In Canada, the slowdown in the second half of 2012 was more pronounced than the Bank had anticipated, owing to weaker business investment and exports. Caution about high debt levels has begun to restrain household spending. The Bank expects economic growth to pick up through 2013."*

The five-year posted mortgage interest rate remained unchanged at 5.24 per cent in February and has been stable since June 2012.

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place on April 17, 2013. ■

This Month's Housing Data (SAAR)

	2012	Q2:12	Q3:12	Q4:12	M12:12	M01:13	M02:13
Housing starts, units, 000s							
Canada. Total. All areas	**214.8**	**228.9**	**221.6**	**204.0**	**197.2**	**159.0**	**178.0**
Per cent change from previous period	10.8	11.6	-3.2	-7.9	-2.1	-19.3	12.0
Canada. Total. Rural areas	**21.3**	**22.4**	**22.2**	**21.7**	**19.1**	**22.4**	**19.1**
Per cent change from previous period	8.5	18.8	-0.8	-2.6	-14.3	17.3	-14.9
Canada. Total. Urban areas	**193.6**	**206.5**	**199.4**	**182.4**	**178.0**	**136.6**	**158.9**
Per cent change from previous period	11.0	10.8	-3.5	-8.5	-0.6	-23.3	16.4
Canada. Single. Urban areas	**67.2**	**68.0**	**68.5**	**65.3**	**67.0**	**59.0**	**62.6**
Per cent change from previous period	0.1	1.1	0.8	-4.6	7.7	-12.0	6.0
Canada. Multiple. Urban areas	**126.4**	**138.6**	**130.9**	**117.1**	**111.0**	**77.5**	**96.3**
Per cent change from previous period	17.8	16.3	-5.5	-10.6	-5.0	-30.1	24.2
Newfoundland. Total. All areas	**3.9**	**4.0**	**4.3**	**3.7**	**3.7**	**3.5**	**2.3**
Per cent change from previous period	11.4	13.6	6.6	-14.1	0.5	-5.9	-33.4
Prince Edward Island. Total. All areas	**0.9**	**1.1**	**1.2**	**1.0**	**1.2**	**2.0**	**0.4**
Per cent change from previous period	0.1	138.8	6.0	-19.3	64.0	61.6	-77.9
Nova Scotia. Total. All areas	**4.5**	**3.7**	**5.4**	**5.2**	**3.1**	**7.3**	**1.9**
Per cent change from previous period	-2.6	-1.2	45.3	-3.8	-1.5	136.1	-73.8
New Brunswick. Total. All areas	**3.3**	**3.8**	**3.4**	**2.9**	**2.3**	**4.1**	**3.2**
Per cent change from previous period	-4.4	47.1	-11.2	-13.3	-22.3	74.2	-21.0
Quebec. Total. All areas	**47.4**	**52.5**	**48.6**	**45.7**	**42.1**	**31.4**	**38.3**
Per cent change from previous period	-2.1	27.0	-7.5	-5.8	-12.3	-25.4	21.9
Ontario. Total. All areas	**76.7**	**81.7**	**78.7**	**69.1**	**77.8**	**43.3**	**62.7**
Per cent change from previous period	13.2	3.2	-3.8	-12.1	29.1	-44.3	44.7
Manitoba. Total. All areas	**7.2**	**7.8**	**8.3**	**6.5**	**4.7**	**5.8**	**5.6**
Per cent change from previous period	19.1	16.1	6.2	-21.8	-35.8	24.8	-3.6
Saskatchewan. Total. All areas	**10.0**	**9.6**	**10.7**	**11.1**	**10.0**	**8.9**	**6.2**
Per cent change from previous period	41.8	9.6	11.9	3.7	-16.1	-11.0	-29.7
Alberta. Total. All areas	**33.4**	**35.4**	**32.4**	**34.4**	**30.0**	**29.3**	**33.3**
Per cent change from previous period	29.9	13.2	-8.4	6.2	-24.4	-2.5	13.8
British Columbia. Total. All areas	**27.5**	**29.3**	**28.7**	**24.4**	**22.2**	**23.4**	**23.9**
Per cent change from previous period	4.0	5.9	-1.9	-15.1	-5.8	5.3	2.4

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

Housing starts, units, 000s

	2012	Q2:12	Q3:12	Q4:12	M12:12	M01:13	M02:13
Canada. Total. Urban areas	193.6	206.5	199.4	182.4	178.0	136.6	158.9
Newfoundland. Total. Urban areas	2.5	2.6	2.7	2.4	2.5	1.9	1.6
Prince Edward Island. Total. Urban areas	0.7	0.8	0.9	0.7	0.9	1.5	0.3
Nova Scotia. Total. Urban areas	3.9	3.1	4.8	4.7	2.6	6.8	1.1
New Brunswick. Total. Urban areas	2.5	2.9	2.8	2.0	1.7	2.0	2.8
Quebec. Total. Urban areas	40.5	45.2	41.6	38.7	35.6	24.5	32.8
Ontario. Total. Urban areas	74.4	79.7	76.7	65.8	74.9	41.4	60.8
Manitoba. Total. Urban areas	4.9	5.4	5.9	4.0	2.8	3.1	3.5
Saskatchewan. Total. Urban areas	7.9	7.2	8.2	9.6	8.9	6.9	3.8
Alberta. Total. Urban areas	30.6	32.4	29.4	31.7	27.6	26.8	30.2
British Columbia. Total. Urban areas	25.5	27.3	26.3	22.6	20.6	21.6	22.0

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized.This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Major Housing Indicators

	2012	Q2:12	Q3:12	Q4:12	M12:12	M01:13	M02:13
New Housing							
New & unoccupied singles & semis, units 000s	6.8	5.7	6.1	6.8	6.8	6.9	7.1
Per cent change from same period previous year	9.0	2.9	6.7	9.0	9.0	13.4	13.0
New & unoccupied row & apartments, units 000s	13.9	12.7	12.7	13.9	13.9	12.4	11.9
Per cent change from same period previous year	7.8	-4.1	-5.6	7.8	7.8	-6.3	-9.3
New House Price Index, 2007=100	108.0	107.8	108.3	108.8	109.0	109.1	n.a.
Per cent change from same period previous year	2.3	2.4	2.3	2.3	2.3	2.2	n.a.
Existing Housing							
MLS® resales*, units 000s	453.4	470.3	440.3	428.9	424.9	428.5	419.4
Per cent change from same period previous year	-1.1	6.9	-4.0	-10.5	-12.2	-9.2	-12.0
MLS® average resale price, 000s**	363.7	364.5	361.0	361.8	361.7	362.9	366.1
Per cent change from same period previous year	0.3	-0.2	-0.5	0.3	0.1	1.1	-0.9
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	3.17	3.20	3.10	3.07	3.00	3.00	3.00
Posted 5-Year Mortgage Rate, % (period average)	5.27	5.34	5.24	5.24	5.24	5.24	5.24

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available.

* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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